

FISCAL NOTE

Bill #: HB0550

Title: Rural fire districts may join FURS, costs paid by insurance premium tax

Primary Sponsor: Ryan, B

Status: As Introduced

Sponsor signature	Date	Chuck Swysgood, Budget Director	Date
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Fiscal Summary

	<u>FY 2004 Difference</u>	<u>FY 2005 Difference</u>
Expenditures:		
General Fund	(\$5,800,000)	(\$5,800,000)
State Special Revenue	\$6,561,129	\$6,561,129
Revenue:		
General Fund	(\$6,561,129)	(\$6,561,129)
State Special Revenue	\$6,561,129	\$6,561,129
Net Impact on General Fund Balance:	(\$761,129)	(\$761,129)

- | | |
|---|---|
| <input checked="" type="checkbox"/> Significant Local Gov. Impact | <input type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input checked="" type="checkbox"/> Significant Long-Term Impacts |
| <input checked="" type="checkbox"/> Dedicated Revenue Form Attached | <input type="checkbox"/> Needs to be included in HB 2 |

Fiscal Analysis

ASSUMPTIONS:

MPERA

1. This is the only provision being considered. If other provisions are enacted, the cost associated with this provision may be different.
2. Currently six rural fire districts report a total of 58 firefighters as paid employees to PERS.
3. The total payroll for the rural fire districts in 2003 is estimated to equal \$3,112,047. The state's contribution is 32.61 percent of total covered payroll, or \$1,014,838. For this bill, salaries for the next biennium are assumed to remain the same as FY 2003.
4. The average number of years of service is 11 years. Some people will not transfer to the Firefighters' Unified Retirement System (FURS) because it will not be an advantage to them. However, a majority of firefighters will transfer because the FURS will provide a larger retirement benefit, and better disability and death benefits. Assume that 75 percent of the current members will transfer.

In addition to the state's share, the employer's and employee's share of contributions will also increase for each year of the biennium and for all following years. The employer contributions will increase

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(continued)

from 6.9 percent to 14.36 percent of covered payroll, and employee rates will increase from 6.9 percent to 10.7 percent of compensation.

5. Eventually all members of rural fire districts will be members of the FURS because members will retire and terminate. This will cause the state, employer, and employee contributions to increase for several years.
6. This bill will add 58 members to the FURS, which is an increase of 11.6 percent. This is a significant increase that may change some of the demographics of the FURS and may adversely affect the system. These affects may not be known for several years, so other adjustments may be needed in future.

State Auditor's Office

7. This bill will establish a new state special revenue account to make the state contributions required in subsection (1) of section 3 of this bill. Currently premium taxes are deposited into the general fund and all payments to police and fire retirement funds come from the general fund.
8. Under current law, the annual state contribution to the firefighters' retirement system is statutorily appropriated from the general fund. This contribution must be made by November 1
9. MCA 50-3-109 imposes a tax of 2.5 percent on premiums for certain types of fire, casualty, and liability insurance. Under current law all revenue from this tax is deposited in the general fund. Beginning in FY 2004, this bill would deposit an amount of this tax equal to the state's contribution to the firefighters' retirement system in the new firefighters' retirement system special revenue account.
10. The state contribution to the firefighters retirement system in FY 2002 was \$5.8 million. With the addition of \$761,129 in the state contribution that is attributed to the transfer of Rural Fire Districts to FURS, the total amount previously deposited in the general fund that will now be deposited into the state special revenue account is \$6,561,129.

FISCAL IMPACT:

State Auditor	FY 2004 Difference	FY 2005 Difference
<u>Expenditures:</u>		
Personal Services (Statutory Approp)	\$761,129	\$761,129
<u>Funding of Expenditures:</u>		
General Fund (01)	(\$5,800,000)	(\$5,800,000)
State Special Revenue (02)	\$6,561,129	\$6,561,129
<u>Revenues:</u>		
General Fund (01)	(\$6,561,129)	(\$6,561,129)
State Special Revenue (02)	\$6,561,129	\$6,561,129
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>		
General Fund (01)	(\$761,129)	(\$761,129)
State Special Revenue (02)	\$0	\$0

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

The employer contributions will increase from 6.9 percent to 14.36 percent of covered payroll.

LONG-RANGE IMPACTS:

The cost of this bill will continue past the next biennium and will increase over time.